

Client Update

New Russian Law Will Limit Minority Shareholders' Information Rights

On 19 July 2017, the State Duma of the Russian Federation adopted a law (the "Law") amending the Federal Law on Joint-Stock Companies (No. 208-FZ dated 26 December 1995) and the Federal Law on Limited Liability Companies (No. 14-FZ dated 8 February 1998). The Law will come into effect if it is approved by the Federation Council and signed by the President of the Russian Federation.

The Law would significantly change shareholders' rights to access company information. The most significant changes include:

- The Law sets out an exhaustive list of information that joint-stock companies are obliged to provide upon a shareholder's request. The right to access information that the companies are obliged to keep under applicable rules, which goes beyond this exhaustive list, will be available only to shareholders of non-public joint-stock companies holding at least 1% of the company's voting shares and to participants of limited liability companies.
- Rights to access information of a *public joint-stock company* will depend on ownership thresholds:
 - Shareholders holding less than 1% of the company's voting shares are granted access to general documents, such as the foundation agreement, charter, annual reports, share issuance documents, etc.;
 - Shareholders holding more than 1% but less than 25% of the company's voting shares are granted access to additional information, such as information on interested-party and major transactions and related appraisal reports, and minutes of board of directors meetings; and
 - Shareholders holding at least 25% of the company's voting shares are granted access to minutes of the management board meetings and accounting records (a lower ownership threshold for these documents may be provided in the company's charter).
- The rules are different for *non-public joint-stock companies*:
 - Non-public joint-stock companies may determine ownership thresholds for providing information that differ from those set out in the Law; and

- Shareholders holding at least 1% of the company's voting shares have the right to access all documents that the company is obliged to maintain under the legislative requirements (except for minutes of the management board meetings and accounting records, which can be accessed by shareholders holding at least 25% of the company's voting shares) unless otherwise provided in the company's charter (as unanimously approved by the shareholders) or in a shareholders' agreement entered into between all shareholders.
- Certain information is required to be disclosed only if a written explanation of the business rationale for the requested disclosure is provided (this applies to shareholders holding less than 25% of the company's voting shares).
- The company has a right to deny access to its information or documents on certain grounds, including where the requested information or documents relate to a past period exceeding three years prior to the date of the request, if the requested information or documents do not correspond to the declared business rationale for the request or such rationale is not reasonable,¹ or where the requested information or documents relate to periods when the requesting shareholder did not hold shares in the company (other than documents or information relating to transactions which continued to be performed while such shareholder held shares in the company).
- State-owned companies remain obligated to provide access to all of their documents to shareholders holding a "golden share".
- Documents containing confidential information will be provided subject to execution of a confidentiality agreement, the terms of which must be uniform for all shareholders and publicly disclosed by the company.

* * *

Please do not hesitate to contact us with any questions.

¹ The business rationale is deemed unreasonable if the shareholder: (i) is a competitor of the company or an affiliate thereof, the requested documents contain confidential information and its disclosure may prejudice the company's commercial interests; (ii) to the company's knowledge, acts in bad faith; or (iii) has an unjustified interest in obtaining the requested documents.

MOSCOW

Natalia A. Drebezhina
nadrebezhina@debevoise.com

Alan Kartashkin
akartashkin@debevoise.com

Alyona N. Kucher
ankucher@debevoise.com

Dmitri V. Nikiforov
dvnikiforov@debevoise.com